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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/20/08

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule (Nikkei)
- 4) Government in monthly report sees the economy at a crossroads, with consumption, investment, and production all flat (Asahi)
- Bank of Japan debacle:
 - 5) For the first time in postwar period, Bank of Japan will not have a governor at the helm (Mainichi)
 - 6) Fukuda administration has run out of names to submit to fill BOJ governorship, and deputy governor will act as acting chief for a while (Nikkei)
 - 7) Business leaders blast, overseas press ridicules political parties for allowing a vacancy in the top central banker's post (Nikkei)
 - 8) Democratic Party of Japan Secretary General Hatoyama to punish lone party member who voted with ruling party in favor of its BOJ governor nominee (Mainichi)
 - 9) With "April crisis" looming and DPJ tougher than ever in stance, the climax for Prime Minister Fukuda will be the fight in the Diet with opposition on road taxes (Nikkei)
 - 10) Fukuda ready to consider possibility of transferring road-related tax revenues to the general coffers (Yomiuri)
- Iraq war five years later:
 - 11) Need to verify the legitimacy of Japan having sent SDF troops to assist Iraq after the war (Asahi)

12) With the withdrawal of the GSDF from Samawah, Japan no longer has a visible presence in Iraq (Mainichi)

Defense issues:

13) Opposition camp in their SOFA revision want to require USFJ to restore returned bases to their original state environmentally (Mainichi)

14) At least 60 Defense Ministry officials to be punished for series of incidents including mishandling the Aegis collision with a fishing boat (Mainichi)

15) Defense Minister Ishiba vulnerable to criticism for handling of Aegis collision fallout, with inconsistent explanations and investigation bogged down (Tokyo Shimbun)

Articles:

1) TOP HEADLINES

Asahi and Nikkei:

Monthly economic report describes Japanese economy as "taking pause" with consumption, capital investment, production remaining flat

Mainichi:

BOJ governor falls vacant for first time in postwar history; Deputy Governor Shirakawa to serve as acting governor

Yomiuri:

Prime minister to study placing road-use revenues into general account to hold talks with DPJ

Sankei:

77-year-old man tells investigators that he shot then National

TOKYO 00000754 002 OF 011

Police Agency chief Kunitatsu in 1995

Tokyo Shimbun:

Yokohama District Court orders prefectural government to return 1.9 billion yen in corporate tax to Isuzu

Akahata:

Treatment of part-time workers needs to be improved

2) EDITORIALS

Asahi:

- (1) Political turmoil requires Prime Minister Fukuda's leadership
- (2) Life imprisonment handed down over Akita murder case

Mainichi:

- (1) Politicians are to blame for unfilled BOJ governorship
- (2) Akita double murder case must be examined closely

Yomiuri:

- (1) Vacant BOJ post must be filled quickly
- (2) FRB lowers interest rates to avert financial crisis

Nikkei:

- (1) Vacant BOJ post points to dysfunctional Japanese politics
- (2) U.S. economy relies on interest rate cuts

Sankei:

- (1) Top BOJ post unfilled: Japan might collapse

Tokyo Shimbun:

- (1) BOJ appointment: Golden parachuting must be reviewed
- (2) Hatakeyama gets life imprisonment for killing two children

Akahata:

- (1) Government's selection of nominees for top BOJ post has problems

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 19

NIKKEI (Page 2) (Full)
March 20, 2008

09:59

Met at Kantei with Cabinet Office Senior Vice Minister Yamamoto, Parliamentary Secretary Toida, and deputy chief cabinet secretaries Ono, Iwaki, and Futahashi.

10:30

Met with Internal Affairs and Communications Minister Masuda.

11:10

Met with Education Ministry official Hayashi, followed by Lower House Anti-Terrorism Special Committee Chairman Fukaya. Met afterwards with LDP policy chief Tanigaki.

12:32

Attended Lower House plenary session.

14:09

TOKYO 00000754 003 OF 011

Met at Kantei with Chief Cabinet Secretary Machimura. Met later with Cabinet Office Vice Minister Uchida and Quality-of-Life Bureau chief Nishi.

15:08

Met Machimura. Followed by LDP Research Committee on Consumer Issues Chairman Noda and Managing Executive Gotoda.

16:30

Cabinet Intelligence Director Mitani. Later, met LDP Policy Research Council Chairman Tanigai and New Komeito Research Council Chairman Saito, with Machimura.

17: 40

Attended a meeting of the cabinet ministers involved in producing monthly economic reports.

18:16

Met BOJ Governor Fukui. Followed by Internal Affairs Minister Masuda.

19: 29

Met with New Komeito President Ota, Lower House member Taro Nakayama and others at a Japanese restaurant in the Hotel Okura.

20:53

Met Finance Minister Nukaga, Policy Research Council Chairman Tanigaki, former Secretary General Takebe, Lower House members Eishiro Eto and Takeshi Noda, and others at a Chinese restaurant in the Grand Prince Hotel.

21:39

Returned to his official residence.

4) Monthly economic report: Economy judged to be at a pause, with consumption, capital investment, and production all flat

ASAHI (Top play) (Excerpts)
March 20, 2008

The government yesterday held a meeting of cabinet ministers concerned with the monthly economic report and approved a March report that judged "the economic recovery at this point is at a standstill." This was a downgrading of the key judgment in February that "at this point, the economic recovery has slackened." State Minister for Economic and Fiscal Policy Ota at a press conference after the cabinet meeting said, "The economy is at a pause (odoriba-teki no joukyou)," and she expressed her view that the postwar period's longest economic recovery has now reached a crossroads.

This is the second month in a row for the economic situation to be downgraded. This is the third time for the economy to pause in its recovery.

As the main reason for downgrading the state of the economy, State Minister Ota said, "Three key elements - personal consumption, capital investment, and production - are all flat." There has been a great drop in production headed mainly toward the United States. The pace of production of electronic parts and the like has slowed down, and the judgment about production that last month was "growth has become sluggish," was changed in March to "is flat." Capital

TOKYO 00000754 004 OF 011

investment was changed from "growing modestly" to "generally flat." Personal consumption also was judged as stagnant, with wages not rising and daily necessities rising in price.

5) BOJ governor post left vacant for first time in postwar era; Deputy Gov. Shirakawa to serve as acting BOJ chief

MAINICHI (Top Play) (Excerpts)
March 20, 2008

The government decided yesterday in a cabinet meeting to appoint Masaaki Shirakawa, 58, a Kyoto University professor and former executive director of the Bank of Japan, and Kiyohiko Nishimura, 54, a BOJ Policy Board member, as the BOJ deputy governors, since the terms of Gov. Toshihiko Fukui and the two deputy chiefs, including Toshiro Muto, expired the same day. The BOJ helm is now vacant for the first time in the postwar period because the House of Councillors has rejected the government's nominees: Muto and Koji Tanami, president of the Japan Bank for International Cooperation.

The central bank last night decided that Shirakawa would serve as the acting governor. Shirakawa will be chosen tomorrow in a BOJ Policy Board meeting as the chair to lead the central bank's monetary policy management. The BOJ will hold meeting on April 8-9 to decide its monetary policy. A meeting of the finance ministers and central bank governors of the Group of Seven (G7) will be held soon. If the vacancy in the BOJ helm is prolonged, Shirakawa will attend the G7 meeting.

Amid the ongoing international financial market crisis triggered by the U.S. subprime mortgage crisis, officials in the markets are concerned whether Japan can take a flexible response at a time when the global economy and financial markets are in crisis. Since there is a view that the leadership vacuum at the central bank has made it clear that Japanese politics is malfunctioning, the current BOJ situation has seriously damaged the international reputation of Japan.

6) Nomination of new candidate for BOJ governorship may be deferred to April; Shirakawa to serve as acting governor

NIKKEI (Page 1) (Excerpts)
March 20, 2008

The government's plan of nominating Koji Tanami, governor of the Japan Bank for International Cooperation and a former vice finance minister, for the post of governor at the Bank of Japan (BOJ) was rejected in the Diet yesterday. Toshihiko Fukui's term of office as BOJ governor expired yesterday. Following this, the government will start the process of finding an alternative, but the ruling and opposition camps have been engaged in a fierce battle over such issues as taxes for highway construction in the ongoing Diet session. Given such circumstances, it seems impossible for the government to present a new nominee by the end of this month. Fukui designated Deputy Governor Masaaki Shirakawa as acting governor yesterday.

The House of Councillors in its plenary session yesterday voted in favor of Kiyohiko Nishimura to fill the second of two deputy governor posts. In the House of Representatives, the nominations of Tanami and Nishimura gained approval by a majority from the ruling parties. The government formally decided in a cabinet meeting

TOKYO 00000754 005 OF 011

yesterday to appoint Shirakawa and Nishimura as deputy governor.

7) Government, ruling and opposition parties under heavy fire from business leaders, overseas media because of failure to find a new BOJ leader

NIKKEI (Page 3) (Full)
March 20, 2008

Japanese business leaders slammed the government and ruling and opposition parties for their failure to appoint a new Bank of Japan (BOJ) governor.

Fujio Mitarai, chair of the Japan Business Federation (Nippon Keidanren), yesterday told reporters, "It casts significant doubt upon Japan's credibility." Adding, "I hope (the officials concerned) give up their holiday to continue efforts to choose a new governor as quickly as possible." Mitarai sought to save the situation swiftly.

Tadashi Okamura, president of the Japan Chamber of Commerce and Industry, as well, told reporters the same day: "Given that international cooperation in the monetary area is required at present, I am very concerned that Japan will be able to play the role it should play appropriately." Masamitsu Sakurai, chair of the Japan Association of Corporate Executives (Keizai Doyukai), again called on the ruling Liberal Democratic Party (LDP) and the major opposition Democratic Party of Japan (DPJ) to have a leaders' meeting, noting, "No one other than the heads of the parties can resolve the matter."

Speaking of the selection of a new BOJ governor, Mitarai noted, "A high degree of expertise and an international outlook are both required for the position. Where a nominee comes from is not a big problem," casting doubts upon the DPJ's attitude of sticking to separation between fiscal and monetary affairs.

Fujio Cho, chair of the Japan Automobile Manufacturers Association, likewise told a news briefing the same day: "I'd like politicians to be fully aware of the fact that the current state of politics has a negative impact on the economy. I hope they will think of Japan from a broad point of view."

Overseas media also rapped the Japanese political world.

The Washington Post described the confused selection of a new BOJ governor as a "national embarrassment" in its March 18 edition. It pointed out: "Can you believe that the top post of the central bank is empty despite the rapid appreciation of the yen? But this is a reality facing Japan." Businessweek sounded an alarm by writing that "Other countries' central banks are desperate to prevent a meltdown of the market, but the BOJ may stay on the sidelines."

8) DPJ Secretary General Hatoyama: DPJ will punish Kimata for voting for Tanami's nomination for new BOJ governor

MAINICHI (Page 2) (Full)
March 20, 2008

When asked by the press whether the Democratic Party of Japan (DPJ or Minshuto) would punish its Upper House member Yoshitake Kimata, who had voted for the government's nomination of Koji Tanami for the

TOKYO 00000754 006 OF 011

new governor of the Bank of Japan, DPJ Secretary General Yukio Hatoyama said yesterday: "Of course, it is regrettable that he violated the party rule. We will penalize him because he took action to destroy our internal harmony."

Although Nobuo Matsuno absented himself from voting, the DPJ will unlikely punish him, similar to the three members who abstained from voting at the Upper House plenary session on March 12.

9) "April crisis" for Fukuda administration becoming likely, with DPJ stepping up confrontation with ruling bloc as the question of tax revenues for road projects comes to head

The showdown between the ruling and opposition camps in the divided Diet, where the opposition parties have control of the Upper House, brought about the unusual situation of leaving the top Bank of Japan (BOJ) post vacant. Prime Minister Yasuo Fukuda is making desperate efforts to appoint a new BOJ governor swiftly by obtaining approval from the opposition camp, but the battle between the ruling and opposition blocs over the question of whether to scrap the provisional tax rate for gasoline will come to a head at the end of March. If gasoline prices are cut as the major opposition Democratic Party of Japan (DPJ) calls for, the Japanese economy will be certain to be thrown into turbulence. If no action is taken right now, the Fukuda administration may be hit by an "April crisis," given the already prevailing concerns over the monetary market as well as economic performance.

"The next week will be a hard time," Fukuda said in meeting late yesterday in Tokyo with Finance Minister Fukushiro Nukaga and the ruling Liberal Democratic Party's (LDP) Policy Research Council Chair Sadakazu Tanigaki. What Fukuda had in mind was not only the selection of a new BOJ governor but also the question of how to deal with a bill amending the Special Taxation Measures Law, which includes a provision stating the provisional tax rate for gasoline shall be maintained.

The DPJ, which controls the Upper House, has yet to respond to debate on the bill. It appears hopeless to put the bill to a vote by the end of this fiscal year without adding modifications to it. If the bill is not adopted, the provisional tax rate will be scrapped and a 25-yen cut in the gasoline price as demanded by the DPJ will come true.

The only hope for Fukuda, who has been driven into a corner, is to reach agreement with the DPJ on modifications to the bill. Late yesterday, Fukuda called Tanigaki and junior ruling coalition partner New Komeito's Policy Research Council Chair Tetsuya Saito to the Prime Minister's Official Residence and indicated to them a set of five items concerning modification to the bill related to the problem of tax revenues for road projects. Fukuda did so, out of strong concern over the current situation.

Departing widely from the previous stance of the government and the ruling bloc by suggesting incorporating the full amount of tax revenues for road projects into the general budget and implementing drastic reform in fiscal 2009 and beyond, Fukuda sought to have talks between the ruling and opposition parties, saying, "I hope to see proposals from the opposition bloc."

TOKYO 00000754 007 OF 011

However, the DPJ still remains cold toward Fukuda. The tide of opinion in the DPJ at present is that there is no need to make concessions with the ruling bloc, given that if April comes without doing anything about the bill, the DPJ can win the fruit of reducing gasoline prices. No path to talks between the ruling and opposition parties is found yet.

10) Fukuda hints at intention to consider placing highway tax revenues into general budget, aiming to hold talks with DPJ

YOMIURI (Top Play) (Excerpts)
March 20, 2008

Prime Minister Fukuda said last night that the government would consider the possibility of allocating highway tax revenues for general expenditures in revising bills related to the tax system, including one amending the Special Taxation Measures Law to maintain the current provisional gasoline tax rate. Although the prime minister had taken a cautious view about the idea of shifting highway tax revenues to the general budget, he now appears to have judged it unavoidable to make a compromise in order to bring the Democratic Party of Japan (DPJ) into talks on revising the bills in order to have a vote taken on the bills by the end of this fiscal

year. The DPJ has insisted that the provisional tax rates be scrapped and that highway tax revenues be incorporated into the general budget. Given this stance, it remains to be seen whether progress will be made in negotiations on changing the legislation.

Fukuda told reporters at his official residence (Kantei) last night: "The government will look into placing the full amount of highway tax revenues into the general budget."

Asked about an abolishment of the provisional tax rates, the prime minister replied: "We should consider it in discussions on boldly reforming the tax system." Prior to this, the prime minister met Liberal Democratic Party Policy Research Council Chairman Tanigaki and New Komeito Research Council Chairman Saito at the Kantei the same day and instructed them to work out an amendment plan in accordance with a five-item guideline on revising the road tax bills and hold negotiations with the DPJ and other opposition parties.

The guideline suggests (1) enacting the bills within this fiscal year; (2) considering the possibility of incorporating highway tax revenues into the general account budget in the process of reforming the tax system; and (3) reviewing the mid-term highway-construction program, including its timeframe. The prime minister ordered them to hold negotiations with the opposition bloc after coordinating views on these possibilities within the ruling camp.

11) SDF's Iraq dispatch yet to be fully verified

ASAHI (Page 4) (Abridged)
March 20, 2008

The Iraq war, which was started by the United States and Britain, prompted the Japanese government to make a substantial shift of Japan's diplomacy from the United Nations to the alliance. The government, stepping into a "gray zone" of the Constitution, sent Ground Self-Defense Force troops to a battlefield for the first time. Today marks the fifth anniversary of the Iraq war. The government and the ruling coalition are now pushing ahead with

TOKYO 00000754 008 OF 011

discussions on the advisability of creating a permanent law allowing Japan to send SDF troops overseas as needed. Before doing so, however, they must assess the SDF's Iraq mission.

The Japanese government supported the Iraq war on the grounds of weapons of mass destruction (WMD). In March 2003, then Prime Minister Koizumi told U.S. President Bush: "You made the decision in order to do away with Iraq's weapons of mass destruction. It's only natural that I support this."

In his remarks to the press at home, Koizumi said: "If weapons of mass destruction are in the hands of a dangerous dictator, that is very dangerous. This is also a matter of concern to Japan." With this, Koizumi stressed the existence of WMD for his decision to send SDF troops to Iraq.

"They will discover WMD in time." This comment came from then Chief Cabinet Secretary Fukuda. However, WMD were nowhere to be found. The government crossed out the wording of "WMD disposal assistance," which was incorporated in its draft bill for the Iraq Special Measures Law, right before endorsing it in a cabinet meeting. President Bush himself owned up to misinformation about WMD, so Japan lost justification for its SDF deployment to Iraq.

That was not the only miscalculation. "We didn't think Iraq would get bogged down like this," a senior official of the Defense Ministry confessed. In his press remarks yesterday, Chief Cabinet Secretary Machimura admitted that the government still cannot check

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the progress of GSDF-initiated projects in Iraq to help with its rebuilding efforts, because public security has yet to be ensured there.

In order to weaken the military imprint of Japan's dispatch of SDF troops to Iraq, the government incorporated a civilian role in the

Iraq Special Measures Law, as well as the SDF's Iraq dispatch. Four years later, however, the government cannot send any civilians there.

"Boots on the ground." Urged by the U.S. government, Japan sent SDF troops to Iraq without authorization from the United Nations. The government took the position that sending SDF members to a noncombat area is not linked to the constitutionally prohibited use of armed force. Even so, Koizumi was rough in Diet debates when asked about the SDF's Iraq dispatch from the perspective of constitutionality.

12) Five years after war with Iraq: Japan's face no longer visible with withdrawal of GSDF

MAINICHI (Page 3) (Full)
March 20, 2008

Ken Utsuka

The Japanese government has stressed that Japan's reconstruction assistance in Iraq consists of the deployment of the Self-Defense Forces (SDF) and official development assistance (ODA), which the government says are both closely connected with each other like "two wheels of a vehicle." But Japan has failed to come up with a clear assistance policy after the Ground Self-Defense Force's (GSDF) troops pulled out from Iraq in 2006.

During the period from January 2004 through July 2006, Japan focused

TOKYO 00000754 009 OF 011

its ODA on Iraq's southern city of Samawah, where GSDF groups were deployed. Most of ODA was used for medical care and the construction of social infrastructure. In October 2003, Japan announced it would offer 5 billion dollars to Iraq at the international conference on reconstruction assistance to Iraq held in Spain. Japan's aid amount was the second largest after the United States in the world.

After the withdrawal of GSDF troops from Iraq, however, Japan's ODA has been spread across Iraq. Although the Air Self-Defense Force (ASDF) began to be engaged in airlifting operations in March 2004, the core of this assistance has been support for the U.S. forces-led multinational force. According to the Ministry of Defense (MOD), the airlifting was carried out 271 times from September 2006 after GSDF troops' withdrawal through December of 2007. Of them, 67 times of airlifting or less than 30 PERCENT of the total were carried out to assist the United Nations.

Japanese diplomats, except for those working in the Japanese Embassy in Baghdad, hardly enter Iraq. The late Ambassador Katsuhiko Oku and the late First Secretary Masamori Inoue, both of whom were shot to death (by Iraqi gunmen) at the age of 45 and 30, respectively, were engaged in "tangible assistance" closely linked to a specific region, but Japan remains unable to resume such visible assistance.

13) Opposition parties to draft SOFA revision bill requiring U.S. military to restore environmentally damaged sites to original state

MAINICHI (Page 2) (Full)
March 20, 2008

In the wake of a series of misconduct by U.S. service members in Okinawa, the Democratic Party of Japan, Social Democratic Party, and the People's New Party have been studying jointly submitting a bill revising the Japan-U.S. Status of Forces Agreement. The three parties decided yesterday to specify in the envisaged bill the U.S. side's obligation to restore environmentally damaged sites to their original state. The three parties plan to come up with a revision bill early as March 27 to urge the government to revise the SOFA.

The envisaged revision bill will call for an environmental conservation clause, which obligates the U.S. side to restore contaminated sites to their original state in returning them to Japan or to take steps to repair damages that were caused by U.S. military activities.

The bill will also include regular Japan-U.S. joint surveys on

environmental impacts by U.S. military drills. The U.S. obligation to restore environmentally damaged sites to their original state is exempted from the current agreement.

Environmental problems, such as the disposal of PCBs, have frequently occurred at U.S. bases in Okinawa and Kanagawa Prefecture.

14) Defense Ministry to punish more than 60 persons for MSDF incidents

MAINICHI (Page 2) (Full)
March 20, 2008

In the wake of the Maritime Self-Defense Force's series of unfortunate incidents, the government decided yesterday to take

TOKYO 00000754 010 OF 011

punitive actions against over 60 MSDF personnel, including Administrative Vice-Defense Minister Kohei Masuda and MSDF Chief of Staff Eiji Yoshikawa. The government will implement the decision timed with a cabinet decision on March 21 to dismiss Chief of Staff Yoshikawa from the post. The measures are intended to bring the curtain down on the matter by punishing the top administrative and MSDF officers.

In connection with the February 19 Atago collision with a fishing boat, the government will punish Masuda, Yoshikawa, Fleet Escort Force command Hiromi Takashima and others. The government will also take punitive actions against some 20 personnel over a fire last December on another destroyer Shirane, including issuing a warning to the ship's captain. Further, about 40 persons will be punished for an Aegis data leak with pay cuts for Yoshikawa and the disciplinary discharge of a lieutenant commander, who has been indicted on suspicion of violating the Law Concerning the Protection of Secrets for the Japan-U.S. Mutual Defense Assistance Agreement.

Along with those actions, the government will release reports on the collision, fire, and information leak incidents.

15) Ishiba vulnerable to criticism: Account of Aegis accident confused, no progress in verification

TOKYO SHIMBUN (Page 2) (Full)
March 20, 2008

The recent collision of the Maritime Self-Defense Force's Aegis-equipped destroyer Atago with a fishing boat has exposed the Defense Ministry's poor management of information, as seen from the Defense Ministry's belated learning of the accident and its backtracking in accounting for the accident. The Defense Ministry has yet to unfold the cause of the accident while remaining unable to come up with sufficient countermeasures for another such eventuality. The Defense Ministry will release an interim report tomorrow on its investigation of the accident. Currently, Defense Minister Shigeru Ishiba is not being pressed to resign, but depending on the interim report's content, however, the Defense Ministry and Ishiba will likely be showered with criticism again.

"We tried to make public our findings within the scope of not interfering with their (Japan Coast Guard) investigation. This gave the impression that we were confused."

Looking back on the past one month after the Aegis accident, Ishiba said he would review the Defense Ministry's public information for eventualities.

The Defense Ministry first said the Atago confirmed the fishing boat "two minutes before the collision." However, the Defense Ministry changed that explanation to "12 minutes before the collision." Concerning its questioning of the Atago's chief navigator, the Defense Ministry explained that it had obtained the JCG's prior approval. However, the Defense Ministry later took back that explanation.

What lies behind the situation was the lack of sufficient

communications between the Defense Ministry's bureaucrats and the staff offices of the Self-Defense Forces, according to Administrative Vice Defense Minister Kohei Masuda.

TOKYO 00000754 011 OF 011

However, the Defense Ministry does not seem to have looked closely into how the lack of communications brought about the confusion. Moreover, the Defense Ministry remains unable to work out even a specific plan for enhanced cooperation. The Defense Ministry's bureaucracy and the SDF brass have had poor communications with each other. As it stands, it will not be so easy to shore up their teamwork.

Meanwhile, Ishiba also wavered in his remarks over the Defense Ministry's questioning of the chief navigator and was exposed to bitter criticism.

"It's only natural that I cut off my retreat." With this, Ishiba indicated that he would make strenuous efforts to prevent similar accidents. Ishiba plans to reorganize and integrate the Defense Ministry's internal bureaus and the SDF's staff offices. However, the Defense Ministry has just set about its feasibility study of Ishiba's reorganization plan in its in-house project team. There is also a strong backlash calling the plan "empty," and its feasibility is unclear.

If the interim report upsets the Defense Ministry's explanation given so far, or if another problem is brought to light, Ishiba will likely face calls again for his resignation while remaining unable to restructure his ministry.

SCHIEFFER